

Message Text

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21

ACTION EA-09

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 /103 W

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R 190738Z DEC 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 535

INFO AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USDEL MTN GENEVA

UNCLAS MANILA 17785

E.O. 11652: NA

TAGS: ETRD, EFIN, ECON, RP

SUBJ: VIRATA COMMENTS ON GSP, FISCAL, AND MONETARY MATTERS,
AND ECONOMIC TALKS

1. DECEMBER 18 MANILA DAILIES CARRY VARYING ACCOUNTS OF
NEWS CONFERENCE HELD BY SECRETARY OF FINANCE CESAR VIRATA
ON PREVIOUS DAY.

2. BULLETIN TODAY WAS THE ONLY PAPER TO ATTRIBUTE REMARKS
ON THE GSP TO VIRATA. BY THIS ACCOUNT, VIRATA SAID THAT
THE GOP IS QUOTE PROTESTING UNQUOTE THE USG POSITION ON
THE TREATMENT OF PHILIPPINE PRODUCTS UNDER THE GSP;
DISQUALIFICATION OF CERTAIN PRODUCTS BECAUSE THEY EXCEEDED
\$25 MILLION IN 1974 WAS QUOTE UNFAIR UNQUOTE, BECAUSE
1974 WAS A VERY FAVORABLE PERIOD FOR PHILIPPINE EXPORTS
IN TERMS OF BOTH VOLUME AND PRICES.

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3. VIRATA STATED THAT A FISCAL INCENTIVES REVIEW BOARD IS PREPARING DECREES TO RATIONALIZE THE PRESENT TAX EXEMPTION AND SUBSIDY LAWS. ACCORDING TO THE TIMES JOURNAL, VIRATA MENTIONED SPECIFICALLY SUGAR, COCONUT, OIL, TIN PLATE AND FERTILIZER, NOTING THAT QUOTE THE GOVERNMENT IS LOSING P2 BILLION FROM SUBSIDIZING THE MANUFACTURERS OF THESE PRODUCTS UNQUOTE. VIRATA OBSERVED THAT SAVINGS HERE WOULD HELP EASE THE P4.4 BILLION BUDGET DEFICIT.

4. VIRATA ALSO DISCUSSED FORMULATION OF A NEW INTEREST RATE POLICY TO INCREASE THE ATTRACTIVENESS OF MEDIUM AND LONG TERM FINANCIAL INSTRUMENTS. HE SAID THAT AN INTERAGENCY COMMITTEE WAS CONSIDERING POLICY MEASURES TO EASE CREDIT AND MAKE LONGER-TERM DEPOSITS MORE ATTRACTIVE, AND THAT A PROPOSED WITHHOLDING TAX ON MONEY MARKET TRANSACTIONS IS ONLY ONE OF THE TOOLS BEING CONSIDERED. (COMMENT: THE GOP HAS LONG BEEN GRAPPLING WITH THE PROBLEM OF SHIFTING RESOURCES FROM THE MONEY MARKET TO LONGER-TERM CAPITAL MARKETS. A RECENT MISSION OF THE INTERNATIONAL FINANCE CORPORATION HAS MADE RECOMMENDATIONS TO THE GOP, WHICH ARE BELIEVED TO FORM THE BASIS FOR A WIDE RANGE OF PROPOSALS WHICH HAVE BEEN AIRED IN THE PRESS. THE SUM OF THE PROPOSALS WOULD BE TO DECREASE THE ATTRACTIVENESS OF THE SHORT-TERM MONEY MARKET, AND THEY ARE CLEARLY UNPOPULAR WITH VARIOUS TRADE ASSOCIATIONS INVOLVED IN THE MONEY MARKET, WHICH ARE REPORTEDLY PREPARING A JOINT POSITION PAPER FOR PRES. MARCOS. THE MONETARY BOARD IS EXPECTED TO REACH DECISIONS ON THE RECOMMENDATIONS IN THE NEAR FUTURE. END COMMENT).

5. ON GENERAL ECONOMIC PROSPECTS FOR 1976, TWO PAPERS FEATURE VIRATA'S PREDICTION THAT GNP IN INDUSTRIAL COUNTRIES WILL PICK UP, ESPECIALLY IN COUNTRIES LIKE THE U.S. WHICH WILL SEE ELECTION-YEAR-ASSOCIATED INCREASES IN PUBLIC SPENDING. RP EXPORT MARKETS SHOULD INCREASE COMMENSURATELY, ACCORDING TO VIRATA, RESULTING IN A BETTER YEAR FOR THE PHILIPPINE ECONOMY.

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6. ZEITLIN OF AP USED AS HIS LEAD VIRATA'S RESPONSE TO QUESTION ON US-RP ECONOMIC TALKS--THAT HE (VIRATA) FORESAW LITTLE PROGRESS ON THE TALKS DURING A U.S. CAMPAIGN YEAR. ZEITLIN QUOTED VIRATA AS SAYING THAT QUOTE USUALLY, YOU DON'T NEGOTIATE MUCH DURING A PRESIDENTIAL ELECTION YEAR UNQUOTE. MANILA PRESS DID NOT REPORT THIS EXCHANGE. SULLIVAN

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